Distr.
GENERAL

IDB.15/SR.1
19 July 1996

United Nations Industrial Development Organization ORIGINAL: ENGLISH

Industrial Development Board

Fifteenth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 6 May 1995, at 3.30 p.m.

Temporary President: Mrs. OK (Turkey)
President: Mr. Seung Kon LEE (Republic of Korea)

CONTENTS

Agenda item		*Paragraphs*
1	Opening of the fifteenth session	1 - 3
2	Election of officers	4 - 8
3	Adoption of the agenda for the fifteenth session	9
-	Statement by the Director-General	10 - 36
-	Organization of work	37 - 40
4	Policy framework of UNIDO — Organizational and staff structure	41 - 55

This record is subject to correction.

Corrections should be submitted in one of the working languages, set forth in a memorandum and/or incorporated in a copy of the record. They should be sent to the Chief, Translation and Editorial Service, room D0710.

In accordance with the rules of procedure of the Board, corrections may be submitted within seven days of the receipt of the record or of the closure of the session, whichever is later. Any corrections to the records of the meetings of this session will be consolidated in a single corrigendum, to be issued shortly after the end of the session.

V.96 85028 (E) (a:\1996\pmo.2)

Distr.: 25 July 1996

The meeting was called to order at 3.40 p.m.

OPENING OF THE FIFTEENTH SESSION

1. **The TEMPORARY PRESIDENT** declared open the fifteenth session of the Industrial Development Board.

2. Observing that the withdrawal of UNIDO's major contributor and the reduction of its budget and staff by 25 per cent had not been foreseen one year previously, she said that the Director-General and the Board had worked under great pressure to ensure the Organization's survival. However, in spite of the efforts made, serious difficulties were still to be overcome. In her opinion, Member States had always been more concerned about UNIDO's budgets than its programmes and objectives, and they now needed to become more involved in the Organization's activities to enable the objectives set during the recent General Conference session to be achieved. Furthermore, other organizations that had been advised to shut down had developed new fields of activity and were now duplicating some of UNIDO's areas of operation. Such duplication was unfair to UNIDO and its staff, who remained concerned about the future and whose morale was low, and she called upon the Member States which were members of other organizations to discuss the situation and prevent such overlapping. Noting the absence of a mechanism to enable the Director-General and the Board to consult on all issues of substance, she said that such a mechanism would increase reciprocal trust and cooperation between the Director-General and the Member States and would help to strengthen the Organization. She would urge the Board to take its future decisions with due regard for the interests of the Organization's staff.

3. Finally, she thanked the Member States, the Secretariat, the members of the IDB and the Director-General for their cooperation.

ELECTION OF OFFICERS

4. **The TEMPORARY PRESIDENT** said that she had received the following nominations: Mr. Seung Kon Lee (Republic of Korea) for the post of President; Mr. Abdel Ahmed Halim Mohamed (Sudan), Mr. Carlos Bulo Camacho (Colombia) and Mr. István Posta (Hungary) for the posts of Vice-President; and Mr. Ömür Sölendil (Turkey) for the post of Rapporteur.

5. *The candidates were elected by acclamation.*

6. *The President took the Chair.*

7. **The PRESIDENT** thanked the members of the Board, and in particular the Asian Group, for endorsing his candidacy and expressed his appreciation to the outgoing President for her able guidance during the previous year.

8. UNIDO was in a very difficult situation, facing a serious challenge as a result of the diminished interest and support of the world community as well as reduced financial resources. Scepticism about the Organization's *raison d'être* was a particular cause for concern, since UNIDO had an important role to play in the industrialization of developing countries and its accumulated expertise in that area was recognized. Welcoming the Director-General's efforts to reform and streamline UNIDO following the adoption of the Yaoundé Declaration in 1993, he said that the present session would deal with important issues relating to the Organization's future and hoped that the conclusions reached would encourage the Organization's staff.

ADOPTION OF THE AGENDA FOR THE FIFTEENTH SESSION (IDB.15/1 and Add.1)

9. *The provisional agenda (IDB.15/1) was adopted.*

STATEMENT BY THE DIRECTOR-GENERAL

10. **Mr. DE MARIA Y CAMPOS** (Director-General) said that UNIDO's agenda for the first quarter of 1996 had inevitably been dominated by efforts to implement the reduced programme and budgets for the biennium 1996-1997 and the related contingency plans. He paid tribute to the staff of UNIDO, who had shown unfaltering commitment and motivation. At a time of unavoidable insecurity for many, the Secretariat had continued to serve Member States and to promote new ideas for future work. He also wished to thank Member States for their political and financial support and their valuable guidance during the current difficult period.

11. The third additional session of the Programme and Budget Committee, earlier in the day, had considered matters of crucial concern.

12. Firstly, within the basic structure approved in the programme and budgets 1996-1997, some changes had been introduced to increase management efficiency and programme coherence. The most significant change in the Organization's structure was to create the Policy Coordination Office, dealing with strategic planning, quality assurance and evaluation, programme and project approval and programme monitoring. It had thus been possible to make substantial expenditure reductions and savings compared with the corresponding allocations for the 1994-1995 biennium.

13. Secondly, he had maintained a prudent financial policy, withholding some budget items relating to meetings, travel, consultants, etc., while ensuring the implementation of high-priority activities under the Regular Programme of Technical Cooperation and the Industrial Development Decade for Africa. That had resulted in expenditure largely in line with the contingency plan levels in the first quarter of 1996. The strategy had proved realistic, since the most recent announcements concerning the payment of assessed contributions by the United States did not seem optimistic for UNIDO, despite his reiterated initiatives in that area. He had sought Member States' guidance and support at the meeting of the Programme and Budget Committee.

14. Thirdly, in the staff reduction programme, the excellent and objective work of the Advisory Group on Human Resource Planning had kept non-voluntary separations below 12 per cent of the total. He thought that such a low percentage, as well as the significant improvement in the ratio between General Service and Professional staff, was a major achievement, which went beyond his initial expectations. He paid tribute to the valuable contribution made by separating staff members, each of whom had played an important role in helping to create better living conditions in the developing countries.

15. Alongside the complete restructuring and the implementation of the budget cuts, the UNIDO reform had been continuing and was now reaching its final stage. Despite the traumatic financial crisis facing the Organization, the reform was an achievement to be proud of. UNIDO was now a more flexible, effective and efficient organization, which was in a better position to fulfil the demands of its Member States. The fact that UNIDO had managed to accommodate a 25 per cent budget reduction in such a short period, without sacrificing its substantive capability, was without precedent in the United Nations system. The Organization had reached a very low level of administrative costs as a percentage of the total budget and a high level of operational over regular budget resources, compared with other specialized agencies or international organizations.

16. He referred delegations to the progress report on reform in document IDB.15/14. What remained to be done in 1996 was to elaborate detailed procedures in a number of areas. To that end, he had decided, following the recommendations made by the external consultants, to maintain the reform infrastructure established in the second half of 1995.

17. The progress report covered a number of achievements in the first quarter of 1996. It related in particular to the management of UNIDO services, referred to as project cycle management, which was a core process for UNIDO, just as for any development agency. That area, to which he personally attached critical importance, had been completely brought into line with UNIDO's new thematic priorities.

18. In response to Member States' interest, a computerized information system would be brought into operation in 1996 to enable them to be kept abreast of progress in UNIDO's projects.

19. Document IDB.15/14 also reported on progress in a number of supporting processes, such as personnel policies and training, information systems management, cost accounting, procedures in the field offices and investment promotion offices, and external and internal communications. In that context he attached particular importance to the idea of a programmatic orientation for the budget, in order to give a transparent picture of the allocation of resources to the seven thematic priorities.

20. Another key matter would be the work of the policy-making organs. Pending guidance by Member States, the Secretariat would cooperate fully in any initiative to rationalize the frequency of meetings or to streamline their agendas.

21. He stressed that UNIDO, as a specialized agency, ought to have more substantive guidance and that the Board should devote less time to administrative matters. There was sometimes a dangerous temptation for Member States to become involved in areas that were the province of the Secretariat and even in matters of staff recruitment and separation.

22. Reform was not an end in itself. It had to serve a purpose and, for UNIDO, that purpose could only be to serve the needs of Member States better. Procedural, administrative and managerial improvements were only tools. The thrust of UNIDO's reform was to redefine the Organization's relevance and to tailor its services better to the demands of Member States, rather than to devote attention to procedural aspects. Once the process was completed, UNIDO's substantive programmes should again occupy the centre of the stage. The programmes justified the Organization and gave it a unique mandate as a specialized agency.

23. His report placed special emphasis on some initiatives taken in different programme areas to increase the relevance and impact of UNIDO's work.

24. Firstly, he referred to the high-impact programmes initiated during the accelerated reform phase in the second half of 1995. Most of those programmes had now been elaborated into full-fledged programme documents and had attracted significant funding.

25. Secondly, the Organization was in the process of adjusting its regional support programmes, taking into account the new thematic priorities. He called on the regional groups to participate actively in that process.

26. The report set out the main features of the Alliance for Africa's Industrialization, which he was proposing as a unique UNIDO complement to the Special Initiative on Africa launched by the Secretary-General of the United Nations. The Alliance was a synthesis of various forms of support UNIDO could provide to assist African industry to increase its international competitiveness and to expand its production capacity. The Alliance would initially focus on promoting natural resource-based industries and strengthening linkages between manufacturing and the primary and service sectors of the economy. It would seek to create a framework for industrial development and to encourage the input of local and foreign technology and investment with a view to achieving sustainable industrial development. Employment creation in urban and rural areas would be particularly stressed in innovative support programmes for small- and medium-scale industry. The success of the Alliance depended on three prerequisites: African ownership, built on national, subregional and regional initiatives; mobilization of local resources, investment and leadership; a platform of political and macroeconomic stability.

27. He was convinced that the developing countries, particularly in Africa, had frequently been offered or had imposed on them international cooperation programmes based on "magic formulas" that were simplistic and over-optimistic and, above all, removed from the real needs of the recipient countries. Even more importantly, such programmes had proved ineffective for recipient and donor countries alike.

28. The principal role of UNIDO in the Alliance would be to act as a catalyst for action by the African countries themselves and to mobilize technical and financial resources. At a recent meeting in Pretoria, the Board of the Conference of African Ministers of Industry had welcomed those ideas and recommended that they should be further developed and that consultations should be initiated with OAU, ECA and ADB.

29. A new, more action-oriented programme for the relatively less developed countries would be implemented, partly through the Alliance for Africa's Industrialization. At the same time, separate attention would be given to such countries, particularly in Asia and the Pacific.

30. He intended to set up a consultation group of Member States to reformulate the programme for technical and economic cooperation among developing countries, the importance of which had been stressed by the Group of 77, the People's Republic of China and the Group of 15. The aim was to transfer the rich industrial experience of the more advanced developing countries to the relatively less developed ones. Accordingly two seminars for Latin American countries and economies in transition had been programmed recently with the Korea International Cooperation Agency, after the successful workshop for Africa held in 1995. A proposal was also being worked out for industrial, technical and economic cooperation among developing countries, to be presented to the meeting of the Group of 15 at Harare in November 1996.

31. He would present at the sixteenth session of the Board a detailed report on the work being done on UNIDO's global forum function. UNIDO could and should play a key role in facilitating the successful participation of developing countries and economies in transition in the new global context of interdependence and trade liberalization.

32. In view of the vital importance of interagency coordination within the United Nations system he had, *inter alia*, signed a joint communiqué with the Secretary-General of UNCTAD. Even with the best of intentions, cooperation would suffer, and even fail, if two organizations engaged in the same tasks. He had accordingly agreed to hold a meeting with the executive heads of UNCTAD, WTO and ITC to discuss potential areas for cooperation. A memorandum of understanding had been signed with the Inter-American Development Bank regarding services to be provided by UNIDO in the context of technical cooperation projects financed by bank loans. Similar efforts were also being made with regional development banks and the World Bank.

33. The Board would have to consider matters such as the mobilization of financial resources for UNIDO programmes, the Second Industrial Development Decade for Africa, the industrialization of the LDCs and the field representation of UNIDO. Despite general support by Member States, UNIDO's field representation programme would soon be substantially reduced unless additional financial contributions were forthcoming. Fortunately, some countries had reacted favourably by sharing local costs—for instance, Côte d'Ivoire and Kenya.

34. In conclusion, he stated that the prospects for UNIDO would be promising if it received decisive and unwavering support. An unprecedented reform process had taken place and a very severe financial crisis had been overcome. Substantive services had been reoriented and their volume increased.

35. The support of Member States continued to be crucial, and he was glad to be able to cite the joint declaration of the sixth meeting of Ministers of Foreign Affairs of the European Union and of the Rio Group of Latin American countries, held at Cochabamba, Bolivia, in April, which stated that the Ministers had underlined the importance of industrialization as a means of achieving sustainable development and that in that context they had emphasized the role of UNIDO and welcomed the ongoing reform.

36. In that spirit, he wished the Board every success in its work.

ORGANIZATION OF WORK

37. **The PRESIDENT** proposed that the Board decide to suspend rule 32 of the rules of procedure regarding the quorum. A quorum would not be considered a requirement for starting meetings, except in the case of meetings at which decisions of a substantive nature were to be taken. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which might be waived if no member of the Board objected.

38. In the absence of any comments or objections, he would assume that the Board wished to suspend rule 32.

39. *It was so decided.*

40. He announced that Member States wishing to submit draft decisions should do so in writing and well in advance.

POLICY FRAMEWORK OF UNIDO — ORGANIZATIONAL AND STAFF STRUCTURE (IDB.15/14)

41. **Mr. INDELICATO** (Italy), speaking on behalf of the European Union, Bulgaria, Cyprus, the Czech Republic, Hungary, Malta, Poland, Romania, Slovakia and Ukraine, said that the European Union had noted that the reform process was now being implemented across all aspects of UNIDO's work. It welcomed the establishment of the new Policy Coordination Office as a means of overseeing the coordination of all the new management structures and programmes. That should ensure that programmes and core activities were in keeping with the established priorities and objectives and were run on cost-effective lines. Most of the instruments needed to implement UNIDO's mandate were now in place, and the Director-General should be encouraged to conclude the final phase of the reform as scheduled, so that attention could be focused on substantive issues.

42. The European Union continued to attach great importance to the further focusing and deselection of activities within the established priority areas. In that regard, the high-impact programmes represented a positive new approach; it was to be hoped that UNIDO would be able to secure the financial resources required for their successful implementation and that those programmes would provide a model for future activities.

43. Document IDB.15/7 showed that UNIDO had in recent months pursued the question of new sources of funds. All avenues for private sector funding should be explored, and the Director-General should be encouraged to expand contacts with industrial enterprises with a view to mobilizing funds for work in the priority areas and to reinforce links with important partners in industrial development on a more global level.

44. Regarding personnel issues and the staff reduction programme, the European Union believed that the mechanisms agreed upon by Member States at the last General Conference session had allowed the exercise to be completed efficiently and with the full support of the staff members concerned. It was pleasing to note that non-voluntary redundancies had affected only 12 per cent of the total number of jobs lost, which was lower than expected. All staff members should now be encouraged to rise to the challenges ahead with professionalism and dedication. On the question of senior appointments, the European Union was willing, in the interests of transparency and confidence, to work with the Secretariat in exploring further possibilities for consultation, without infringing UNIDO's management practices and the prerogatives of the Director-General.

45. Regarding the question of coordination and streamlining across the United Nations system, the European Union welcomed the recent UNIDO/UNCTAD agreement and the discussions currently under way with WTO and other organizations. The continuation and expansion of such cooperation should be encouraged. In the interests of streamlining activities and increasing efficiency within UNIDO, the European Union believed that there was scope for reducing the number and duration of meetings of the policy-making organs. It considered that the sessions of the PBC and IDB due to take place later in the year, both of which were scheduled to last five days, were too long. It wished to suggest that the two sessions be merged and held during one week. The savings both for UNIDO and for Member States would be substantial, and the Secretariat would be able to provide the relevant information in all official languages on time.

46. **Mr. ELFEKI** (Egypt) said that, in the five months since the last General Conference session, the process of financial and administrative reform of the Organization had been pursued, with reductions in costs, reformulation of priorities and a sharper focusing of activities. Despite

the success achieved, thanks to the commitment of Member States to the continued survival of the Organization and the efforts of the Secretariat and staff in implementing the contingency plans adopted by the General Conference, UNIDO's financial situation was still vulnerable. Member States' arrears in their assessed contributions had totalled $181 million at the end of 1995, the highest level ever reached. His delegation therefore called upon Member States to make every effort to enable the Organization's financial difficulties to be overcome.

47. With regard to the programme for the Second Industrial Development Decade for Africa (IDDA), he wished to stress the importance of allocating greater human and financial resources in order to establish its activities on a more permanent basis. The present structure of the programme was not acceptable to his delegation. Egypt believed that the Director-General's proposal for an Alliance for Africa's Industrialization represented a more sophisticated conceptual approach, which could serve as a source of inspiration for activities under the Second IDDA. However, it failed to understand how that new initiative could be financed from the resources allocated for the IDDA, which were already intended to fund activities of essential need to the continent.

48. On the question of the provision of technical assistance to the Arab States with a view to strengthening their industrial sectors, his delegation had noted that, despite the decisions adopted by the sixth General Conference session regarding the strengthening of that programme, there had been a reduction of two posts, which would have an adverse impact on the operation of the programme. He therefore hoped that those posts would be reinstated.

49. His delegation wished to stress the importance of the field representation programme for the developing countries, particularly the least developed countries (LDCs). It was concerned to note in document IDB.15/12 the reduction of financial support for that programme, which would prevent UNIDO from maintaining the current composition of its field offices. Egypt supported the Director-General's remarks concerning the importance of cooperation among donor, recipient and host countries with a view to providing the necessary support for the programme, and was in favour of extending the activities of the UNIDO Country Directors (UCDs) in order to increase their flexibility, which could facilitate fund mobilization activities under the programme.

50. His delegation wished once again to draw attention to the underrepresentation of African and Arab States in the Organization, the number of nationals of those States within the Secretariat currently standing at about 60. That situation needed to be rectified in line with the principle of equitable geographical distribution, and his delegation hoped to be provided with additional information on the matter.

51. Finally, he wished to draw attention to the late issue of the Arabic version of a number of Board documents. Steps should be taken to ensure that Arabic-speaking delegations were fully able to participate in the work of the Board.

52. **Ms. HASAN** (Pakistan), speaking on behalf of the Group of 77, said that the Group believed that many developing countries had been marginalized in the industrialization process. The economic imbalance between the rich and poor nations would be heightened, to the disadvantage of international economic integration, if the latter countries were not assisted in their industrial development so as to enable them to compete globally. The Group therefore wished to re-emphasize the continuing importance and relevance of UNIDO as a provider of industrial and integrated technical cooperation services to developing countries. The Group appreciated that most developed countries, which were equal partners in the process, shared the view that industrialization was a key factor in achieving sustainable development, and it called upon all members to continue to extend their political and financial support for UNIDO. It expected a high level of commitment from the Organization, the Director-General and the entire staff in order to achieve high standards of performance and efficiency. It also sought a commitment that those developing countries which continued to be underrepresented within the Secretariat would be granted equitable representation at all levels of the Organization.

53. The Group recognized the importance of ensuring good governance of UNIDO through its policy-making bodies, and would collaborate with all Member States in order to ensure that the Organization's activities were demand-driven. It would also examine processes in the policy-making organs to ensure that all programmes and projects were endorsed by those bodies, with a view to achieving full transparency and high quality. In that connection, within the twelve activity areas of reform finalization (IDB.15/14, p. 2), the Group viewed activity A-5 and its expected outputs as an important area.

54. There was a gross disparity in the levels of industrialization of different countries. In the interests of global economic cohesion, that disparity had to be reduced. One way of achieving that end might be to have value-reduced or non-profit-making transfers of technologies from countries that possessed those technologies to countries that did not, primarily in areas having a bearing on standards of living, the environment

and the reduction of human suffering. Similarly, consideration could be given to earmarking locations for certain types of industries in developing countries through international agreements.

55. While encouraging the Director-General to conclude the reform process, the Group would also request that he improve the time-recording system for high-quality monitoring of programmes and evaluation on the basis of staff cost accounting and analysis, establish result-oriented planning and budgeting systems based on Member States' demand, keeping in mind sectoral and thematic priorities, and expedite the process of decentralizing administrative project implementation tasks to individual backstopping project managers. It would urge him to conduct more consultations with Member States and representatives of regional groups in order to obtain their views in the remaining stage of the reform process, particularly with regard to the separation and appointment of senior managers, and to take account of Article 11, paragraph 5, of the Constitution of UNIDO and chapter V of document IDB.15/14 concerning the revised recruitment scheme with heightened accountability and strengthened decision-making capacity of UNIDO Country Directors. It hoped that the Director-General would report to the Board at its next session on the impact of the reform process with regard to the establishment and achievement of a new action-oriented formulation for economic and technical cooperation among developing countries, the implementation of priority needs expressed by Member States, and the involvement of the private sector in developing countries as beneficiary and counterpart of the Organization's activities.

The meeting rose at 5 p.m.